**CHAPTER -6 ORGANIZING FUNCTIONS**

**CONCEPT**

Organizing is the second function of management. Organizing is the process of making preparation to achieve the planned results by identifying the detailed activities to be performed, classifying them into manageable units and establishing productive relationship among various situations. Arranging the activities in such a way that they systematically contribute to the accomplishment of organizational goals. Therefore, organizing function involves a series of activities consisting of:

* Identification of specific activities.
* Grouping of activities into jobs.
* Assignment of jobs to formal groups.
* Establishing a network of authority and responsibility relationship.
* Providing framework of measurement, evaluation and control.

**Principles of Organizing**

Principles are the fundamental truth and system which are applied in the process of functioning. The major principles of organizing are discussed as follows:

1. **Unity of objectives:** This principle implies that the objectives of various departments and sections of the enterprise must be formulated in such a way that every individual can contribute his/her efforts for a single objective. This is essential to complete the work on time.
2. **Specialization:** Each individual of enterprise should be given specific work on the basis of his ability. In such a situation, employee can concentrate in single work with greater efficiency. And such a repetitive functioning of a specific work builds-up confidence among the workers to complete the work within determined standard, time and cost.
3. **Co-ordination:** Co-ordination is the process of organizing. All the departments and persons involved in various activities have a common goal. To achieve so, co-ordination among various departments and their activities is one of the parts of organizing. The principle not only facilitates to maintain harmonious working relation among departments and employees but also integrates the efforts of all individuals of the enterprise.
4. **Authority and responsibility:** Authority and responsibility are two wheels of a cart having a strong balance between authority and responsibility. Without proper authority, an employee cannot fulfill his responsibilities effectively. Likewise, sufficient authority to an employee without responsibility may result in the misuse of authority. Therefore, there must be a balance between authority and responsibility.
5. **Unity of command:** According to this principle, an employee should receive orders and instructions only from one superior at a time., he cannot fulfill his duties on time. He comes into confusion for taking priority of instructions of superiors. Therefore, there must be unity of command in the enterprise.
6. **Scalar chain:** This principle implies the unbroken line of authority from top level to the lowest level of an enterprise. This principle clarifies the authority responsibilities relationship among superior and subordinates. The chain of command must be clear and short for its effectiveness.
7. **Span of control:** This principle refers that there should be a limited number of subordinates so that their work can be effectively supervised. The narrow span ensures close and effective supervision as there are limited numbers of subordinates under a supervisor. In the similar manner, wide span makes simple supervision of subordinates. Therefore, depending upon nature and size of the enterprises, there must be manageable number of subordinates under a superior so as to make effective supervision.
8. **Exception:** This principle emphasizes that the top level management must concentrate only on exceptional and creative issues. These activities involve planning, policy making, setting long-term objectives and formulation of strategies. The repetitive and operational activities should be assigned to the subordinate levels.
9. **Efficiency:** The efficiency of an organization is measured by its capability to achieve the predetermined objectives effectively and efficiently. For this purpose, optimum utilization of available resources is most essential. Management has to make plan and develop strategy for better utilization of resources including manpower.
10. **Balance:** There must be equal division of work among all departments and sections of an organization. There must be a balance between efficiency and efforts. The work should be entrusted to a particular department on the basis of its capability. The feeling of overemphasis to a particular department or person must be avoided.
11. **Homogeneity:** According to this principle every department should be assigned only homogeneous functions. It means functions of a similar nature and having the same objectives should be divided into one group.
12. **Continuity:** Organizing is a continuous process up to the existence of the enterprise. Where organizational structure should be reviewed and revised according to changing environment of the business.
13. **Simplicity:** This principle emphasizes that the management must design the simple organizational structure. It should be designed in such a manner that all the members of the organization can understand it easily.
14. **Flexibility:** the organizational structure must be flexible. It should be designed in such a manner that it is adaptable to the changing environment of the business. The management must provide flexibility within the structure so that it would facilitate changes in organizational structures as and when it is needed.
15. **Personal ability:** This principle focuses on the development of personal ability of all the workers working in the organization. For this purpose, there must be the proper system of recruitment, selection, appointment and placement of appropriate workers in right place. Besides, there should be the provision of training, workshop, supervision, seminar, further education of the employees.

**Process of Organizing**

Organizing is the process of establishing relationship among the members of the enterprise. The relationships are created in terms of authority and responsibility. Each member is the organization is assigned a specific responsibility or duty to perform and is granted the corresponding authority to perform and is granted the corresponding authority to perform his duty. The various steps involved in this process are:

1. **Division of work**: The first step is the division of work into specific jobs. The main function is divided into sub-functions. Each function or job is entrusted to suitable individual. Jobs may further be subdivided as per requirement. The idea behind division of work is increasing output and improving the efficiency and productivity of workers. It also helps in the introduction of mechanization and specialization.
2. **Departmentalization:** The second step of organizing is the grouping of similar, identical and related jobs into larger units, called section, department or divisions (i.e. departmentalization)
3. **Hierarchy:** The third step in the process of organizing is the certain of authority relationship among different job positions. The organization establishes hierarchy between superiors and subordinates, so that organizational work could be carried on without any confusion, disturbance and misunderstanding. Authority flows downward from top managerial positions to lower rank in hierarchical order. The authority goes on decreasing gradually at every downward step.
4. **Coordination:** In this step, activities are coordinated by setting up mechanism for integration. Communication channels and committees are used for coordination.

**Approaches to Organizing**

Organizing is the process of prescribing formal relationships among people and resource to achieve organizational goals. There are different approaches to organizing structure, jobs and assigning jobs to the people. Some of these approaches are as follows:

1. **Classical Approach:** This approach is also known as classical theory of organization. Under this approach, the classical writers have viewed organization as a machine and human beings as different components of that machine. It has its origin in the writing of Taylor.
2. **Behavioral Approach:** It is also known as neo-classical theory of organization. It has introduced the human relations approach in the classical theory of organization. The main prepositions of this theory are: (1) The organization is general is a social system composed of several interacting parts; (2) The social environments on the job affect people and are also affected by them; (3) Besides formal organization, informal organization also exists and it affects and is affected by formal organization; (4) Integration between organizational and individual goals is a must; (5) Man's behavior can be predicted in terms of social factors at work; (6) Man is diversely motivated and social-psychological factors are important; (7) Man's approach is not always rational; (8) Team-work is essential for cooperation and sound organizational functioning; and (9) Effective communication is necessary for sound organization.
3. **Contingency Approach:** It is also known as modern organization theory. Contingency approach states that organizing is depended on situational factors. The most important is technology, environment, organization size, organizational life cycle, etc. According to contingency approach each situation is unique and demands unique organization structure. There is no one best way. But, in practice, it is difficult to identify relevant situational factors.

**Departmentalization**

**Departmentalization is the process of logical grouping the similar nature functions into manageable units for the purpose of overall coordination of organizational resources**. In an organization, many persons perform various functions in different situations. It is not possible to perform all types of work at a time and by same group of people. It is essential to classify activities into manageable units. **Therefore, departmentalization is the process of dividing the large and complex organizational functions into small and flexible units to complete the work in efficient and effective manner**.

**Types of Departmentalization**

The following are the major basis of departmentalization in an organization:

**Departmentalization by Functions**

This is the common and popular basis of departmentalization of an enterprise. Under this form, various departments are created on the basis of nature of functions to be performed like production, marketing, finance, sales etc. A department head or manager is appointed to supervise and control the activities of the concerned department. All departmental heads are specialists and experts in their own area of business. Since the members working in a department have similar background and interest, it gives rise to specialization which makes manpower more efficient and skilled.

**Departmentalization by Product/Service**

This method of departmentalization is used specially by those manufacturing firms that involve in large scale and various lines of product and services. A separate department is created for a single product or product line and all functions like production, finance, marketing, personnel etc. of one department are brought together under the concerned department. Each department is independent and responsible to improve and expand its business performance. The department manager is responsible for its revenue, expenses, profits, loss, failure, success**.**

**Departmentalization by Customers**

This type of departmentalization is applied to those organizations which deal differently with different customers. Types of customers are the key basis of departmentalization of the enterprise. Banking organizations create departments on the basis of customer service like deposit, cash withdrawal, letter of credit, loan etc. Similarly, business organizations can be divided into industrial product buyers and consumer product buyers. Likewise, consumer product buyers again can be classified into wholeseller, retailer and final consumers.

**Departmentalization by Territory**

This form of departmentalization is applied specially in those organizations that involve in business activities in different geographical locations. It is also appropriate for large scale enterprises which is geographically spread out in many locations like insurance companies, banks, transport company, chain stores. All activities of specified territory are assigned to a particular department or regional manager. Activities are grouped into development regions, zones, districts, provinces etc. In such departmentalization, the local customers are served by the divisional managers while the plans and policies are formulated by the head office**.**

**Departmentalization by Process**

This method of departmentalization is applicable in those organizations where production activities need some distinct process. Specially, this method is used in large scale manufacturing concerns such as textile, cement, chemical, medicine, etc. The activities are grouped on the basis of process. The activities of each process are assigned to a departmental head who is responsible for all the functions of the concerned department. This is to maintain working efficiency of each process and to economize productivity. For example, department of a textile industry may be formed into ginning, spinning, weaving, dyeing and finishing department.

**Departmentalization by Time**

Time is also a basis of departmentalization in many organizations, especially, those that involve in public utility, production or service. Generally, hospitals, hotels, telecommunications and other public utility organizations which work around the clock from departments on the basis of time shift such as day, evening and night shifts. Therefore, a separate department is created on the basis of shift and a departmental head is appointed for each shift to maintain controlling of the activities of the concerned shift.

**Delegation of Authority**

**Delegation of authority is the process of assigning work to subordinates and giving them necessary authority to do the work effectively. It is the process by which managers assign a portion of their workload to others**. The concept of delegation has been developed due to the increase in the business size and its complexities.

Thus, delegation of authority refers to the downward transfer of authority from a superior (manager) to a subordinate. It is a pre-requisite to the efficient functioning of an organization because it enables a manager to use his time on high priority activities. It also satisfies the subordinate's need for recognition and provides them with opportunities to develop and exercise initiation.

**Steps of Delegation of Authority**

The steps of delegation of authority comprises of the following steps:

1. **Assigning Specific Duties**

The first step of delegation of authority is assigning specific duties to the individual. In all cases, manager must be sure that the subordinates assigned to specific duties has a clear understanding of what these duties entail.

2. **Granting Appropriate Authority**

The second step of delegation process involves granting appropriate authority to the subordinate – that is, the subordinate must be given the right and power within the organization to accomplish the duties assigned.

3. **Acceptance of the Assignment**

At this stage, the subordinate either accepts or rejects the tasks assigned to him/her by the superior or manager. If the subordinate refuses to accept the duty and the authority to perform it, then the manager looks for the other person who is capable of and willing to undertake the assignment.

4. **Creating the Obligation**

The last step involves creating obligation for the subordinate to perform the duties assigned. Once the assignment is accepted by the subordinate, then he/she becomes responsible for the completion of the duty and is accountable to the superior for his/her performance. So, the subordinate must be aware of the responsibility to complete the duties assigned and must accept that responsibility**.**

**Obstacles (Barriers) of Delegation of Authority**

**A. Obstacles related to Supervisors and Managers**

**Despite knowing the importance of delegation of authority, superiors sometimes do not delegate work to subordinates. This is because of the following reasons:**

**1. Reluctance to delegate**

Its first kind of obstacle of delegation of authority that is related to the supervisors and managers**.** When they feel that they can do better, employees are not capable enough, or take much time to explain, they will be reluctant to delegate authority. Some managers are so disorganized that they are unable to plan work in advance and as a result cannot delegate properly.

**2. Fear of competition**

The manager may not delegate authority due to the fear on his part that the subordinate may excel in the work and may be promoted. Though this barrier is usually unexpressed and unconscious, it is real.

**3. Lack of Ability to Direct**

In delegation, superior needs to direct and provide necessary instructions and guidelines to subordinates. If the manager has no ability to direct, he may hesitate to delegate authority**.**

**4. Incompetence of Subordinate**

Subordinates may lack of competence to do the delegated jobs in effective manner. Lack of confidence is yet another serious problem standing in the way of subordinate's accepting the authority.

**B. Obstacles related to Subordinates**

Subordinates present the following obstacles and barriers to effective delegation:

**1. Fear of Doing Mistakes**

Some subordinates fear that if they make mistakes in carrying out the delegated responsibilities, their superiors will criticize them for unfavorable outcomes. This fear discourages them from taking added responsibilities**.**

**2. Inadequate Motivation**

Delegation of authority involves additional responsibility. Suitable motivation (financial/ non-financial) and incentives must be provided to encourage those subordinates who prove their spirit. Lack of motivation or incentive is another reason why subordinates do not show any preference for authority.

**3. Lack of Information System**

Subordinate may hesitate to accept a new assignment if they believe that they lack the necessary information and resources to perform the job well.

**4. Convenience**

Sometimes subordinates prefer the work done by superiors rather than assuming responsibility for the same, for the sake of convenience. They simply want their bosses to make the decisions.

**C. Obstacles Related to Organizations**

Some of the obstacles related to organizations are:

**1. Size of The Organization**

A small-sized organization will not have too many jobs to delegate to subordinates. It is, thus, not responsive to delegate of tasks**.**

**2. No precedent of Delegation**

Merely because organizations have not earlier been following the practice of delegation sometimes makes them continue with the practice of not delegating the jobs.

**3. Degree of Centralization and Decentralization**

Efficient delegation is affected by the degree to which organization distributes the decision making power to various organizational units. A highly centralized organization is obstructive to the process of effective delegation.

**4. Lack of control**

The success of delegation can be measured only if the organization has a proper control system. The absence of such a system would only make delegation a useless exercise.

**ELEMINATING OBSTACLES TO THE DELEGATING PROCESS**

Eliminating obstacles to the delegating process is important to managers because delegating has significant advantage for the organization. Because of this delegation the organization gets larger, assistance from subordinates in completing tasks the manager simply wouldn't have time for otherwise. That’s why managers need to eliminate obstacles to the delegation process. For this, they can follow following ways:

**1. Accept the need for delegation**

When superiors are reluctant to delegate because they want to do things themselves rather than allowing subordinates to do, they should realize the need for delegation. In fact, more the delegation, more successful will be an organization**.**

**2. Confidence in Subordinates**

Rather than feeling that subordinates are not capable of accepting responsibilities so that delegator does not take the risk of delegation, the delegator should understand that a person learns through mistakes and if he/she commits mistakes, he/she will try to find solutions to the problems also. If subordinates make mistakes, superior should guide them rather than not delegating at all.

**3.** **Communication**

Where delegation becomes ineffective because subordinates do not have information for making decisions, an effective communication system should be developed so that information flows freely from superiors to subordinates. Delegatees should be allowed to freely discuss the problems with the delegators.

**4. Motivation**

Subordinates should be motivated to accept the responsibilities by providing financial and non-financial rewards like status, recognition etc.

**5. Effective Control System**

Since ultimate responsibility for the work assigned is that of the delegator, he/she should ensure that subordinates perform well by setting standards of performance against which actual performance shall be measured. Delegator should check the activities of delegates rather than not delegating.

**6. Choose the Right Person for the Right Job**

Lack of confidence in subordinates can be overcome by dividing the work into units and sub-units and assigning to person most suitable for the job. There should be proper matching of the job and the person performing it.

**7. Clarity of Tasks**

The responsibilities or tasks delegated to subordinates should be clearly defined in terms of results expected out of those tasks. Knowing their job and goals to be achieved out of them will enable the subordinates perform the delegated task better.

**8. Monitoring the Critical Situations**

Subordinates may make mistakes, however efficient they are at work. Superiors should overlook minor deviations with respect to delegated tasks and focus on major deviations in the tasks assigned. This promotes better response and a sense of responsibility amongst employees.

**CENTRALIZATION**

**The systematic reservation of decision making authority at the top level management is centralization.** It reduces the role of subordinates and the top level assumes full responsibility of the business. Top level managers have direct control over each and every business activity of the organization while the decision making authority is also vested on them.

**ADVANTAGES OF CENTRALIZATION**

**The following are some of the advantages of centralization:**

**1. Facilitates unified direction**

Top level managers take all the decisions in centralization. It is not necessary to consult and take consent of subordinates while taking a decision. The subordinates perform all the on the basis of instructions which facilitates for the maintenance of uniformity and consistency in performance.

**2. Simplifies Structure**

In centralized organization, the structure tend to be simple and clear. It involves two levels- managerial and operating levels. Managerial level is responsible for decision making whereas operating level is responsible for execution.

**3. Facilitates quicker decisions**

Centralization facilitates quicker decisions as one manager takes all the decision. Managers can take suggestions and guidance from experts and professionals, but the final decision is taken by him. Quick decision is essential for the success of the business in this competitive environment.

**4. Economy in Operation**

In centralization, many levels and positions of management are reduced. It minimizes overhead cost of the organization. It also helps in effective utilization of skilled, qualified and experienced members.

**5. Integrates Operation**

Centralization helps to integrate and unify all the operations of the organization. The top level manager maintains close supervision of the subordinates and their functions. On the basis of requirement, a manager takes quick decisions to maintain control over the activities of the employees.

**6. Suitable for small firms**

Centralization is highly appropriate for small business organizations performing business in a competitive environment. In such organizations, managers can personally look after the overall activities of the organization.

**DISADVANTAGES OF CENTRALIZATION**

The some of the disadvantages of centralization are;

**1. Unsuitable for large organizations**

Centralization is inappropriate and impractical in large organizations having various branches in different locations. It is difficult to communicate managerial decisions to different operating levels in the management hierarchy. Top level managers cannot effectively supervise and control all the activities of the organization.

**2. Manager is overburdened**

In centralization, top level managers are overburdened with authority and responsibility while managing each and every activity of the organization. He cannot devote sufficient time in other major issues. It tends to decrease working efficiency in the organization.

**3. Possibility of power misuse**

Centralization of authority at the top level may result in under-utilization of power. Top level managers may exercise their powers on the basis of their personal judgement. This may lead to misuse of authority if the managers lack proper skills and ability**.**

**4. Low morale and motivation**

In centralization, middle and lower level managers feel uncomfortable while performing the assigned task. They do not have the required authority to deal with the problems effectively. They do not get an opportunity to show and develop their potentiality. The lack of motivation tends to affect the morale of subordinates.

**5. Lack of environmental adaptation**

Business environment is dynamic, and, therefore, it changes according to time. In business, it is essential to take quick decisions to resolve problems of concerned departments or branches. Centralization is not applicable in dynamic environment as flexibility will not come promptly from the top level.

**6. Inappropriate for routine decisions**

In centralization, top level managers devote maximum time in taking routine decisions. Therefore, they cannot devote more time in non- programmed decisions. This will have a negative impact on the long-term performance of the organization.

**DECENTRALIZATION**

**Decentralization is the philosophy of systematic and scientific delegation of managerial authority to middle and lower level managers in accordance with their responsibility.** This philosophy states that the top level management should keep limited authority and delegate maximum authority to operating levels. **Top level management has to play the role of supervisors.**

**ADVANTAGES OF DECENTRALIZATION**

**Brief discussion of advantages of decentralization are:**

**1. Relief to top level management**

In decentralization, most of the routine managerial responsibilities are delegated to middle and lower managers. It minimizes the excessive workload of the top manager. It gives sufficient time to the top level managers to concentrate on non- programmed decisions like planning, policy making, strategy formulation etc.

**2. Facilitates manager's development**

In decentralization, appropriate responsibility and authority is delegated to subordinate level managers. It gives them an opportunity to hone their skills and efficiency so as to get promotions. Therefore, decentralization creates the reserve of talency.

**3. Possibility of better decisions**

Decentralization delegates the decision making authority to the managers nearest to the level of operation. The managers working nearest to the operation are in a better position to understand the complexity of the problems. This helps in taking a better decision to solve a problem**.**

**4. Effective control**

In decentralization, it is convenient to set standards of performance. This helps to compare actual performance with the standard more quickly. This helps in taking prompt decisions to correct deviations. This leads to maintaining effective control.

**5. High morale and motivation**

Decentralization is highly motivational as it gives the subordinates the freedom to act and take decisions. This develops among the subordinates a feeling of status and recognition and ultimately a feeling of dedication, commitment and belongingness. This, likewise, helps in maintaining high motivation and morale of subordinates.

**6. Facilitates diversification**

The addition of new product lines or expansion of existing lines of business develops complexity in an organization. This also develops a challenge to the top level manager. The top level manager can meet such challenges by delegating authority to his subordinates by. He can only play the role of coordinator.

**7. Environmental adaptation**

A dynamic environment may create problems in different units. In decentralization, decision making authority is given to the operating level managers. This facilitates quicker and flexible decisions on the basis of situation.

**DISADVANTAGES OF DECENTRALIZATION**

**Some of the disadvantages of decentralization are;**

**1. Increase in expenditure**

Decentralization needs qualified, competent and skilled managers at the middle and lower levels. They are to be paid remuneration on the basis of their qualification on the basis of their qualification and experience. Besides, there is the possibility of duplication of effort, which unnecessarily may increase cost of production.

**2. Conflict**

In decentralization, the top level management puts more pressure on departmental managers to increase output and revenue. In such a situation, every department lays more emphasis on their own departmental goals instead of corporate goals. This may give rise to inter- departmental conflict and too much fragmentation creates problems in coordination and control.

**3. Unsuitable for emergency situations**

In decentralization, lower and middle level managers are assigned authority only for routine decisions. Whenever they face complex and non programmed problems they cannot take decisions due to limited authority.

**4. Maximizes risk**

The decision making authority is delegated to the subordinate level. If subordinates are unskilled and incapable, they may take wrong decisions, which may increase the risks and result in losses.

**5. Difficulty in communication**

In decentralization, different departments may be formed in various locations and authority and responsibility are assigned to the departmental heads. If the network system to communicate information is unclear, communication will be distorted.

**6. Unsuitable for specialized services**

The concept of decentralization is not applicable in all types of services. It is not suitable for specialized nature of services like accounting, human resource, engineering, surgery etc.

**MECHANISTIC ORGANIZATION**

Mechanistic structure, also known as bureaucratic structure, describes an organizational structure that is based on a formal and centralized network. **It is a rigid and tightly controlled structure characterized by high specialization, narrow span of control, high formalization and a limited information network.** The whole structure is organized like a well-designed machine. Decision making is centralized at the top level management. Subordinates are expected to follow the directions of management without any questions. The mechanistic form is appropriate for traditional hierarchy way of organizing.

**ORGANIC ORGANIZATION**

Organic organization model is a structure that is highly adaptive and flexible according to changing environment. **They are more flexible and open. Tasks are less rigidly defined allowing people to adjust to situational requirements. It emphasizes on team specialization. Decision making is decentralized to subordinate levels.** Communication is lateral among various functional departments. Work, over here, is frequently organized around team of employees as it is needed. Though employees are highly trained and empowered to handle various activities and problems independently, they need to consider minimum formal rules and regulations and small direct supervision from superiors.

**ORGANIZATION ARCHITECTURE**

Organization architecture refers to the structure by which an organization integrates the human activities and capital resource utilization within a structure of task allocation and coordination to achieve desired outcomes and performance for both short and long run.

Organization architecture is the totality of a firm's organization, including organization structure, control systems, incentive systems, culture and people. It is a network of relationships among these elements of an organization. Thus, effective organization architecture is essential for systematic and uniform functioning of the organization.

**(A) VERTICAL DIFFERENTIATION**

Vertical differentiation refers to the location of decision making responsibilities within a structure (centralization/decentralization) and also to the number of layers in a hierarchy (either tall/flat). It indicates who has the authority to make decisions and who is expected to supervise which subordinates. Basically, it determines reporting relationships and the nature of structure in terms of tall or flat.

**(i) Tall Hierarchy or Structure**

The organization which constitutes of different hierarchy levels is tall hierarchy or structure. With this structure, an organization will have a numbers of managers, each of which will be responsible for controlling a portion of the organization. The lowest layer includes employees with no managerial authority. These employees report to the next layer, or the first layer of management. Large, complex organizations often require a taller hierarchy. In its simplest form, a tall structure results in one long chain of command similar to the military. As the organization grows, the number of management levels increases and the structure grows taller. In a tall structure, managers form many ranks and each has a small area of control.

**(ii) Flat Hierarchy or Structure**

A flat hierarchy or structure refers to an organization structure with few or no levels of management between management and staff level employees. The management trusts the employees and authority is decentralized. The flat structure is very beneficial in completely eliminating bureaucracy and middlemen. It focuses on empowering employees rather than adhering to chain of command. By encouraging autonomy and self-direction, flat structure attempts to tap employees creative talents and to solve problems by collaboration. Mostly, small companies use flat structure to get benefits such as faster response time to changing conditions and customer preferences.

**(B) HORIZONTAL DIFFERENTIATION**

Horizontal differentiation refers to the formal division of the organization into sub units. It is the basis for dividing work into specific jobs and tasks and assigning those jobs into units. Departmentalization is the example of such differentiation. The types of such differentiation are; functional, multidivisional, geographic and matrix.

**(i) Functional Organizational Structure**

Under functional organization structure, the organization is divided into a number of functional areas. Each function is managed by an expert in that area. Under it, various activities of the enterprise are classified according to certain functions like production, sales, purchase, finance, personnel etc. and are put under the charge of functional specialists who directs the subordinates in his particular area of business operation.

**(ii) Multi- Divisional Structure**

Multi-divisional is structure composed of self-contained divisions based on products, customers, technology and geographical areas. Each division contains the major functional resources it needs to persue its own goals with little or no reliance on other divisions. This structure is used when a company produces many products or provides service to different types of markets. Here, the key functional activities are present in each division.

(iii) **Geographic Structure**

Organizations having larger market and network of distribution use territorial or geographical structure. It is an organization structure where company hierarchy is divided on the basis of geographical location in which the company operates which is headed by central head office.

**(iv) Matrix Organization Structure**

Matrix organization is a newly evolving organization structure which has received considerable attention in the developed as well as developing countries. This organization is formed to complete various types of project of specific and unique nature. This is also known as project management structure. It requires diverse technical and administrative experts to adjust efficiently with the dynamic and rapidly changing environment of the business.

Each employee in a matrix unit reports to two bosses-a functional manager and a product or project manager. This means that there are dual lines of authority in the matrix organization.

A matrix structure is the most complex of all designs because it depends upon both vertical and horizontal flows of authority and communication (hence the term matrix). In contrast, functional and divisional structures depend primarily on vertical flows of authority and communication. Despite its complexity, the matrix structure is widely used in many industries, including construction, healthcare, research and defense.

**Modern Organizational Structures**

**(i) Team Based Structure**

A team is a group whose individual efforts result in positive synergy through coordinated efforts. It refers to two or more persons who interact and influence each other toward a common purpose.

Teams facilitate employees' participation in opening decision. Nowadays, business organizations are adapting such team in their organizational structure. A team based structure attempts to combine both horizontal and vertical coordination through structuring people into cross-functional teams. Cross- functional teams consist of members from different departments and work areas.

For example, an information systems company might have development teams, product teams and application teams who, respectively, are responsible for: (a) new product development, (b) service and support of customer groups, and (c) customizing products to particular customers (or customer groups). Each of these teams will have a mix of specialists within it.

**(ii)Network Structure**

The network structure is a form of organizing in which many functions are contracted out to other independent firms and coordinated through the use of information technology networks. The network structure is a series of independent firms or business units linked together by computers in an information system that designs, produces, and markets a product or service. This structure becomes most useful when the environment of a firm is unstable and is expected to remain so. Under such conditions, there is usually a strong need for innovation and quick response. Instead of having salaried employees, it may contract with people for a specific project or length of time. Companies like Nike, Reebok and Benetton use the network structure in their operations function by subcontracting manufacturing to other companies in low-cost.

**(iii)Committee Organization Structure**

A committee is a group of persons formed to discuss and deliberate on problems and to recommend or decide solutions. **Thus, committee organization structure is the structure where authority and responsibility are jointly held by a group of individuals rather than a single manager.** It represents a group of people with knowledge in various fields. It is formally constituted to solve specific problems. The primary function of the committee is to suggest and guide the management in decision making procedures and solve the problems of various departments. **The types of committee can be Executive Committee, Advisory Committee and Ad hoc Committee.**

**(iv) 360 Degree Structure**

**360 structure is a technique that is systematic collection of performance data on an individual group, derived from a number of stakeholders like immediate supervisors, team members, customers, peers, and self. In fact, anyone who has information on how an employee does a job may be one of the appraisers. This method is also known as multi-rater feedback, multi-source feedback, full- circle appraisal and group performance review. This structure is highly useful in terms of broader perspective, greater self-development and multi- source feedback. It is generally used for evaluating managerial performance.**